

Principles of Macroeconomics

Description of the Examination

The Subject Examination in Principles of Macroeconomics covers material usually taught in a one-semester undergraduate course in the principles of macroeconomics. This aspect of economics deals with principles of economics that apply to a total economic system, particularly the general levels of output and income and interrelations among sectors of the economy. The test places particular emphasis on the determinants of aggregate demand and on the monetary and fiscal policies that are appropriate to achieve particular policy objectives. Within this context, candidates are expected to understand concepts such as the multiplier, the accelerator, and balance-of-payments equilibrium; terms such as inflation, deflationary gap, and depreciation; and institutional arrangements such as open-market operations, deficit spending, and flexible exchange rates.

The exam consists of approximately 80 multiple-choice questions to be answered in two separately timed 45-minute sections.

Knowledge and Skills Required

Questions on the Principles of Macroeconomics exam require candidates to demonstrate one or more of the following abilities.

- Understanding of important economic terms and concepts
- Interpretation and manipulation of economic graphs
- Interpretation and evaluation of economic data
- Application of simple economic models

The outline below indicates the material covered by the exam and the approximate percentage of questions in each category.

Approximate Percent of Examination

8-12%	Basic economic concepts
10-18%	Measurement of economic performance
60-70%	National income and price determination
10-15%	International economics and growth

Approximate Percent of Examination 8-12% Basic economic concepts

Scarcity: the nature of the economic system
Opportunity costs and production possibilities curves
Demand, supply, and price determination

10-18% Measurement of economic performance

Gross domestic and national products and national income concepts
Inflation and price indices
Unemployment

60-70% National income and price determination

Aggregate supply and demand: Keynesian and classical analysis (25-30%)

Circular flow

Components of aggregate supply and demand

Multiplier

Fiscal policy

Long vs. short run

Money and banking (15-20%)

Definition of money and its creation

Tools of central bank policy and monetary policy

Fiscal and monetary policy combination (20-25%)

Interaction of fiscal and monetary policy

Debts and deficits

Stabilization policies for aggregate demand and supply shocks

Monetarist, supply-siders, and Keynesian controversies

10-15% International economics and growth

Comparative advantage, trade policy, international finance, and exchange rates

Economic growth

Study Resources

There are many introductory economics textbooks that vary greatly in difficulty. Most books are published in one-volume editions, that cover both microeconomics and macroeconomics; some are also published in two-volume editions, with one volume covering macroeconomics and the other microeconomics. A companion study guide/workbook is available for most textbooks. The study guides typically include brief reviews, definitions of key concepts, problem sets, and multiple-choice test questions with answers. Many publishers also make available computer-assisted learning packages. To prepare for the Principles of Macroeconomics and Microeconomics exams, you should study the contents of at least one college-level introductory economics textbook. These textbooks can be found in most college bookstores. You would do well to consult two or three textbooks because they vary in content, approach, and emphasis. When selecting a textbook, check the table of contents against the "Knowledge and Skills Required" section.

To broaden your knowledge of economic issues, you may read relevant articles published in the economics periodicals that are available in most college libraries -- for example, *The Economist*, *The Margin*, and *The American Economic Review*. *The Wall Street Journal* and the *New York Times*, along with local papers, may also enhance your understanding of economic issues. The Internet is another resource you could explore.